

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Chapter 11 Bankruptcy

Intrepid U.S.A., Inc.,
and Jointly Administered Cases,

Debtors

Case No. 04-40416-NCD
Case No. 04-40462-NCD
Case No. 04-40418-NCD
Case Nos. 04-41924 – 04-41988-NCD

**NOTICE OF HEARING AND MOTION TO APPROVE FIRST AMENDMENT TO POST-
PETITION REVOLVING CREDIT AND SECURITY AGREEMENT**

TO: The entities specified in Local Rule 9013-3(a)(2).

1. Intrepid U.S.A., Inc. and the affiliated Debtors referenced above (collectively, “**Debtors**”), move the Court for the relief requested below and give notice of a hearing.

2. The Court will hold a hearing on this motion at 2:30 p.m. on August 18, 2004, in Courtroom No. 7 West of the United States Courthouse at 300 South Fourth Street, Minneapolis, Minnesota.

3. Any response to this motion must be delivered and filed by August 13, 2004, which is three days before the time set for the hearing (excluding Saturdays, Sundays and holidays) or served and filed by mail not later than August 9, 2004, which is seven days before the time set for the hearing (excluding Saturdays, Sundays and holidays). **UNLESS A RESPONSE OPPOSING THE MOTION IS TIMELY FILED, THE COURT MAY GRANT THE MOTION WITHOUT A HEARING.**

4. This court has jurisdiction over this motion pursuant to 28 U.S.C. §§ 157 and 1334, Fed. R. Bankr. P. 5005 and Local Rule 1070-1. This proceeding is a core proceeding. The petitions commencing these Chapter 11 cases were filed on January 29, 2004 and April 12, 2004 (“Petition Dates”). These cases are now pending in this Court.

5. This motion arises under 11 U.S.C. § 364(d) and Fed. R. Bankr. P. 4001(c). This motion is filed under Fed. R. Bankr. P. 9014 and Local Rules 9013-1 through 9013-3. The Debtors request an order approving an amendment to that certain Post-Petition Revolving Credit and Security Agreement by and between the Debtors and CapitalSource Finance, LLC (the “DIP Lender”) dated as of April 30, 2004 (the “DIP Credit Agreement”).

6. Pursuant to the Final Order Authorizing Debtors to Enter into Post-Petition Financing Pursuant to Sections 105, 362 and 364 of the Bankruptcy Code, and granting Liens, Security Interest and Superpriority Claims, entered by this Court on April 30, 2004 (the “DIP Order”), the Debtors entered into the DIP Credit Agreement with the DIP Lender.

7. Pursuant to discussions with the DIP Lender, the Debtors have requested, and the DIP Lender has agreed, to amend the DIP Credit Agreement as set forth in the First Amendment to Post-Petition Revolving Credit and Security Agreement (“First Amendment”). While final details are still being discussed, it is expected that the final version of the First Amendment will be substantially similar to the form attached hereto as Exhibit A.

8. The First Amendment makes the following changes to the DIP Credit Agreement:

- (a) Replaces the availability formula with a formula that will give the Debtors greater borrowing power and flexibility,
- (b) Provides that if the Carve-Out amount is reduced, the reserves against the Borrowing Base will be similarly reduced,
- (c) Requires the Debtors to maintain the employment of an investment banker in connection with a sale or recapitalization of the business,
- (d) Changes the number of days for funds transferred to the Concentration Account to clear and be applied to reduce the Obligations from three (3) days to five (5) days.

(e) Revises the financial covenants to give the Debtors greater flexibility in complying with the Budget, and

(f) Resolves existing disputes regarding compliance discrepancies.

9. In exchange for the enumerated changes, Debtors will pay a \$50,000 amendment fee. In addition, the Debtors have agreed to reduce the Carve-Out, as such term is defined in paragraph 11(b) of the DIP Order, from \$1,500,000 to \$500,000.

10. The terms of the First Amendment have been negotiated in good faith and at arms' length between the parties. Except as expressly modified by the First Amendment and the Order approving the First Amendment, all of the provisions of the DIP Credit Agreement and the DIP Order remain in full force and effect.

11. The Debtors, in their business judgment, have determined that entering into the First Amendment is in the best interest of the estate.

12. Pursuant to Local Rule 9013-2, this motion is verified and is accompanied by a Memorandum of Law, proposed Order, and proof of service.

13. Pursuant to Local Rule 9013-2, the Debtors give notice that they may, if necessary, call Dennis I. Simon, the Chief Executive Officer of the Debtors, and Gregory Von Arx, the Chief Financial Officer of the Debtors, to testify at the hearing on the motion. The business address of the proposed witnesses is 6600 France Avenue South, Suite 510, Edina, Minnesota. The proposed witnesses will testify as to facts relevant to this motion.

WHEREFORE, the Debtors request that the Court enter an order:

1. Authorizing the Debtors to enter into the Amendment of the DIP Credit Agreement;

2. Reducing the Carve-Out amount as set forth in Paragraph 11(b) of the DIP Order to \$500,000; and

3. For such other relief as the Court may deem just and equitable.

Respectfully submitted,

Dated: July 30, 2004

By: /s/ Heather B. Thayer
James L. Baillie (#3980)
Clinton E. Cutler (#158094)
Heather B. Thayer (#222459)
FREDRIKSON & BYRON, P.A.
4000 Pillsbury Center
200 South Sixth Street
Minneapolis, MN 55402-1425
(612) 492-7000
(612) 492-7077 (Fax)

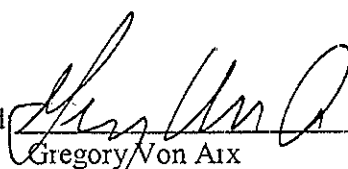
Attorneys for Debtors

VERIFICATION

I, Gregory Von Arx, am the Chief Financial Officer of each of the Debtors in the above-captioned cases. Based upon my personal information and belief, I declare under penalty of perjury that the facts set forth in the preceding motion are true and correct, according to the best of my knowledge, information and belief.

Dated: August 2, 2004

Signed



Gregory Von Arx

#2991810/2

**FIRST AMENDMENT TO
POST-PETITION REVOLVING CREDIT AND SECURITY AGREEMENT**

This FIRST AMENDMENT TO POST-PETITION REVOLVING CREDIT AND SECURITY AGREEMENT (this "*Amendment*") is effective as of July 1, 2004 and is executed as of July __, 2004 between the Borrowers (as defined in the Credit Agreement), and CapitalSource Finance LLC ("*Lender*").

RECITALS:

A. The Borrowers and Lender are parties to a certain Post-Petition Revolving Credit and Security Agreement, dated as of April 29, 2004 (as the same has been and may from time to time hereafter be amended, restated, supplemented or otherwise modified, the "*Credit Agreement*"), subject to the terms and conditions of which Lender agreed to make certain loans and other financial accommodations to the Borrowers.

B. Lender, by letter dated June 8, 2004, notified the Borrowers that certain deficiencies occurred under the Credit Agreement prior to the date thereof. Lender has suggested that there are other deficiencies that have occurred under the Credit Agreement. (Such deficiencies and all other deficiencies known to Lender through the date of this Agreement are referred to herein as the "*Prior Deficiencies*").

C. The Borrowers, by letter dated June 10, 2004, denied the occurrence of the Prior Deficiencies.

D. The Borrowers and Lender desire to make certain modifications to the Credit Agreement.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the parties hereto agree as follows:

1. Definitions; Recitals. All capitalized terms used but not elsewhere defined in this Amendment shall have the respective meanings ascribed to such terms in the Credit Agreement, as amended by this Amendment. The Recitals set forth above are incorporated herein by this reference thereto as though fully set forth below.

2. Amendments. The Credit Agreement is hereby amended as set forth below:

(a) The first full sentence of Section 2.1 of the Credit Agreement is deleted in its entirety and the following is inserted in substitution therefor:

“(a) Subject to the provisions of this Agreement and the Final Order, Lender shall make Advances to Borrowers under the Revolving Facility from time to time during the Term, provided that, notwithstanding any other provision of this Agreement (i) the aggregate amount of all Advances at any one time outstanding under the Revolving Facility shall not exceed the lesser of (x) the

Facility Cap, or (y) the Availability, (ii) total Advances in any Measurement Period shall not exceed total disbursements as set forth in the Budget for such Measurement Period, plus a variance of seven percent (7%) of such disbursements (exclusive of disbursements for Insurance and DIP Lender fees which shall not be included in determining the seven percent (7%) variance) for every week of the Measurement Period on a cumulative basis, and (iii) total Advances in any Measurement Period shall not exceed total disbursements as set forth in the Budget for such Measurement Period, plus a variance of nine percent (9%) of such disbursements (exclusive of disbursements for DIP Lender fees which shall not be included in determining the nine percent (9%) variance) for every week of the Measurement Period on a cumulative basis.”

(b) The first paragraph of Section 2.1(b) of the Credit Agreement is deleted in its entirety and the following is inserted in substitution therefore:

Lender has established the advance rate for Availability in the definition of the Borrowing Base and, in its sole credit judgment, may further adjust the Availability and such advance rate by applying percentages (known as “liquidity factors”) to Eligible Receivables by payor class based upon Borrower’s actual recent collection history for each such payor class (i.e., Medicare, Medicaid, commercial insurance, etc.) in a manner consistent with Lender’s underwriting practices and procedures, including without limitation Lender’s review and analysis of, among other things, Borrower’s historical returns, rebates, discounts, credits and allowances (collectively, the “**Dilution Items**”). Such liquidity factors and the advance rate contained in the Borrowing Base may be adjusted by Lender throughout the Term as warranted by Lender’s underwriting practices and procedures in its sole credit judgment. Also, Lender shall have the right to establish from time to time, in its sole credit judgment, reserves against the Borrowing Base, including without limitation, reserves with respect to the Carve-Out (which reserves shall be reduced commensurately with any reduction in the Carve-Out approved by the Bankruptcy Court). All such reserves shall have the effect of reducing the amounts otherwise eligible to be disbursed to Borrower under the Revolving Facility pursuant to this Agreement.

(c) Article VI of the Agreement is hereby amended to add the following new Section 6.16:

6.16 Investment Banker

Borrowers shall at all times maintain the employment of an Investment Banker pursuant to authorization of the Bankruptcy Court to assist the Borrowers in structuring, negotiating and completing a sale of the business. Borrowers shall provide Lender with copies of all offering circulars, or other materials disseminated to potential purchasers by the Borrowers or the Investment Banker and shall provide Lender, on a weekly basis, with a status report on the efforts of the Investment Banker to find a purchaser, including, without limitation all contacts made, and offers received.

(d) Section 1 of the Financial Covenants entitled "Compliance with Budget" set forth on Annex I is hereby deleted in its entirety and the following is inserted in substitution therefor:

1) Compliance with Budget

(a) Borrowers shall not expend any funds or monies for any purpose other than those line items for disbursements set forth in the Budget. Borrowers' actual Cash Payments (as verified by bank account records) for any Measurement Period set forth in (c) below may not exceed the applicable amount of total disbursements set forth in the Budget for such Measurement Period, plus the applicable variance as set forth in (e) below (both as to individual line items and as to total operating disbursements) through the conclusion of such Measurement Period set forth in (c) below.

(b) Borrower shall comply with the cash receipt projections set forth in the Budget for any Measurement Period set forth in (c) below, subject to a permitted variance of ten percent (10%) and verified by the actual amounts of cash posted to the Lockbox Accounts. Variances shall be determined by comparing actual results to the applicable total receipts projections set forth in the Budget.

(c) For the initial week covered by the Budget (the week ending May 7, 2004) compliance with (b) above shall be measured on the basis of the one week period covered thereby. For the initial two week period covered by the Budget, compliance with (b) above shall be measured on a rolling two week basis ending as of the end of the second week. For the initial three week period covered by the Budget, compliance with (b) above shall be measured on a rolling three week basis ending as of the end of the third week. For the initial four week period covered by the Budget, compliance with (b) above shall be measured on a rolling four week basis ending as of the end of the fourth week. For the initial five week period covered by the Budget, compliance with (b) above shall be measured on a rolling five week basis ending as of the end of the fifth week. Thereafter compliance with (a) and (b) above shall be measured on a rolling six week basis. (Each of the foregoing periods is referred to in this Agreement as a "Measurement Period").

(d) Notwithstanding anything to the contrary set forth in (a) through (b) above, for any Measurement Period, commencing with the week ending as of July 9, 2004, the sum of actual total receipts for such Measurement Period, less actual total disbursements for such Measurement Period shall not have a negative variance from the sum of projected total receipts for such Measurement Period, less projected total disbursement for such Measurement Period, in each case as set forth in the Budget, of more than \$1,500,000.

(e) The permitted variance to budgeted amounts for total disbursements (i) excluding line items for Insurance and DIP Lender fees, shall not exceed seven percent (7%) per Measurement Period; and (ii) excluding the line item for DIP Lender fees, shall not exceed nine percent (9%) per

Measurement Period. The permitted variance to budgeted amounts for specific line items for disbursements set forth in the Budget shall not exceed five percent (5%) per Measurement Period (except for the line item for Payroll for which there will be a permitted variance of ten percent (10%) and excluding the line items for Insurance and DIP Lender Fees, which shall not be tested). Variances shall be determined by comparing actual results for such Measurement Period to the applicable total projected disbursements set forth in the Budget for such Measurement Period.

(e) Attachment I to Annex I of the Credit Agreement is hereby deleted in its entirety and Attachment I to this Amendment is inserted in substitution therefor.

(f) The definition of "Budget" set forth in the Definitions in Appendix A to the Credit Agreement is hereby deleted in its entirety and the following is inserted in substitution therefor:

"Budget" shall mean the Cash Flow Forecast attached hereto as Exhibits B1 and B2, as updated and amended from time to time subject to approval by Lender and compliance with the covenants set forth in Annex I to this Agreement."

(g) The Credit Agreement is hereby amended to add a new Exhibit B thereto in the form of Exhibits B1 and B2 attached to this Amendment, which shall be in substitution for and replacement of the Budget delivered at Closing.

(h) The third full paragraph of Section 2.5 of the Credit Agreement is hereby amended by deleting the reference to the words and number "three (3)" where they appear therein and inserting in substitution therefor the words and number "five (5)".

3. Conditions to Effectiveness. The effectiveness of this Amendment shall be subject to the satisfaction of all of the following conditions in a manner, form and substance satisfactory to the Lender:

(a) **Representations and Warranties.** All of the representations and warranties of Borrowers set forth in the Credit Agreement and the other Loan Documents shall be true and correct in all material respects.

(b) **No Defaults.** No Event of Default shall have occurred and be continuing.

(c) **Delivery of Documents.** The following shall have been delivered to Lender, each duly authorized and executed and in form and substance satisfactory to Lender:

(1) this Amendment; and

(2) such other instruments, documents, certificates, consents, and waivers as Lender reasonably may request.

(d) **Approvals.** The approval and/or consent to this Amendment shall have been obtained from the Bankruptcy Court by an order in form and substance acceptable to Lender and Borrowers and the documents delivered in connection with this Amendment and to perform their obligations hereunder.

(e) **Fee.** Borrowers shall have paid Lender an amendment fee in the amount of \$50,000.

(f) **Lockbox Agreements.** Borrowers shall have obtained executed Lockbox Agreements from all depository banks used by Borrowers and delivered same to Lender.

The date on which all of the conditions set forth in this Section 3 have been satisfied (or waived by Lender) is referred to herein as the "*Effective Date.*"

4. **References.** From and after the Effective Date, all references in the Credit Agreement, Note and the other Loan Documents shall be deemed to refer to the Credit Agreement, as amended hereby.

5. **Representations and Warranties.** The Borrowers hereby confirms to Lender that the representations and warranties set forth in the Credit Agreement and the other Loan Documents are true and correct as of the date hereof, except to the extent such representations and warranties expressly relate to an earlier date. The Borrowers represent and warrant to Lender that (a) the Borrowers have full power and authority to execute and deliver this Amendment and to perform their obligations hereunder, (b) upon the execution and delivery hereof, this Amendment will be valid, binding and enforceable upon the Borrowers in accordance with its terms, (c) the execution and delivery of this Amendment does not and will not contravene, conflict with, violate or constitute a default under (i) the articles of incorporation or bylaws of the Borrowers or (ii) any applicable law, rule, regulation, judgment, decree or order applicable to the Borrowers or any agreement, indenture or instrument to which the Borrowers are a party or are bound or which is binding upon or applicable to all or any portion of any of the Borrowers' property and (d) no Event of Default presently exists.

6. **Waiver.** Subject to the terms hereof, Lender hereby waives the Prior Deficiencies, acknowledges that the Prior Deficiencies do not constitute Events of Default and waives all known Events of Default, if any, occurring prior to the date of this Amendment. Lender further acknowledges that Borrower disputes the existence and nature of the Prior Deficiencies and disputes whether there are any Events of Default arising prior to the execution date of this Amendment. Except as expressly set forth herein, (a) the Credit Agreement and all other Loan Documents shall remain in full force and effect, (b) the waiver contained in this section 6 shall not be deemed to be a waiver, amendment or modification of any provisions of the Credit Agreement or any other Loan Document or any right, power or remedy of Lender, or constitute a waiver of any provision of the Credit Agreement or any other Loan Document, or any other document, instrument and/or agreement executed or delivered in connection therewith, and (c) this Waiver shall not preclude the future exercise of any right, remedy, power or privilege available to Lender whether under the Credit Agreement, the other Loan Documents, at law or otherwise and shall not be construed or deemed to be a satisfaction, novation, cure, modification, amendment or release of the Obligations, Credit Agreement or other Loan Documents.

7. **Reaffirmation of Liens and Security Interests.** The Borrowers hereby reaffirm their grant of all liens and security interests under the Final Order and the Loan Documents heretofore executed and delivered by them. The Borrowers further acknowledge and agree that notwithstanding the execution and delivery of this Amendment, the Final Order and the Loan Documents remain in full force and effect and the rights and remedies of Lender thereunder and the liens and security interests created and provided thereunder remain in full force and effect and shall not be affected or impaired hereby.

8. **Costs and Expenses.** The Borrowers agree to reimburse Lender for all out of pocket costs and expenses incurred in the preparation, negotiation and execution of this Amendment and the consummation of the transactions contemplated hereby, including, without limitation, the expenses and fees of counsel for Lender.

9. **No Further Amendments.** Except as amended hereby, the Credit Agreement and each of the other Loan Documents shall remain unchanged and in full force and effect in accordance with their respective terms.

10. **Counterparts.** This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument.

11. **Severability.** If any term or provision of this Amendment or the application thereof to any party or circumstance shall be held to be invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, the validity, legality and enforceability of the remaining terms and provisions of this Amendment shall not in any way be affected or impaired thereby, and the affected term or provision shall be modified to the minimum extent permitted by law so as most fully to achieve the intention of this Amendment.

12. **Captions.** The captions in this Amendment are inserted for convenience of reference only and in no way define, describe or limit the scope or intent of this Amendment or any of the provisions hereof.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Amendment as of the day and year first above written.

CAPITALSOURCE FINANCE, LLC

By: _____
Title: _____

F.C. ACQUISITION CORPORATION

By: _____
Name: Dennis Simon
Title: Chief Executive Officer

F.C. OF ALABAMA, INC.

By: _____
Name: Dennis Simon
Title: Chief Executive Officer

F.C. OF ARIZONA, INC.

By: _____
Name: Dennis Simon
Title: Chief Executive Officer

F.C. OF ARKANSAS, INC.

By: _____
Name: Dennis Simon
Title: Chief Executive Officer

F.C. OF FLORIDA, INC.

By: _____
Name: Dennis Simon
Title: Chief Executive Officer

F.C. OF GEORGIA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

F.C. OF INDIANA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

F.C. OF KENTUCKY, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

F.C. OF MISSOURI, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

F.C. OF PENNSYLVANIA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

F.C. OF SOUTH CAROLINA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

F.C. OF TENNESSEE, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

F.C. OF TEXAS, INC.

By: _____
Name: Dennis Simon

Its: Chief Executive Officer

F.C. OF VIRGINIA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

F.C. OF WEST VIRGINIA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

**HANDLE WITH CARE MEDICARE AGENCY,
INC.**

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID AFFILIATES, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID AMERICA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID AMERICA-COLORADO, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID AMERICA-GEORGIA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID AMERICA-INDIANA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID AMERICA-MINNESOTA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID AMERICA-MISSOURI, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID AMERICA-NEBRASKA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID AMERICA-NORTHERN FLORIDA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID AMERICA-OHIO, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID AMERICA-OREGON, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID AMERICA-TEXAS, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID AMERICA-WASHINGTON, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID COMPANIES, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID HOME HEALTH CAE, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF AMARILLO, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF AUSTIN TEXAS, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF EDINA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF EL PASO, INC.

By: _____
Name: Dennis Simon

Its: Chief Executive Officer

INTREPID OF GOLDEN VALLEY, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF HOUSTON TEXAS, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF INDIANA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF IOWA, INC.

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Its: Chief Executive Officer

INTREPID OF LOUISIANA, INC.

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INTREPID OF MISSOURI, INC.

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Its: Chief Executive Officer

INTREPID OF NEBRASKA, INC.

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Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF NEW JERSEY, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF NEW YORK, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF NORTH CAROLINA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF NORTH DAKOTA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF NORTHEAST TEXAS, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF OHIO, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF OKLAHOMA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF RHODE ISLAND, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF ROCHESTER, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF SAN ANTONIO, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF SOUTH TEXAS, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF SOUTHEAST LOUISIANA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF SOUTHEAST TEXAS, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF SOUTHERN COLORADO, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF SOUTHERN MINNESOTA, INC.

By: _____

Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF ST. CLOUD, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF TEXAS, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF THE METROPLEX, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF THE TWIN CITIES, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF VIRGINIA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF WASHINGTON, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID OF WEST TEXAS, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

INTREPID U.S.A., INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

MORRISON HOME CARE, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

NC HHA, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Officer

NORTHCOAST HEALTH CARE GROUP, INC.

By: _____
Name: Dennis Simon
Its: Chief Executive Office

#2971174\8

EXHIBIT B1 to First Amendment of the Post-Petition Revolving Credit and Security Agreement**Intrepid U.S.A.
Weekly Cash Flow Forecast - 06/02/04 Version**

| | Forecast Week: | | | | | | | | | 9 Week Total |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-----------------|
| | Forecast 1 Friday 05/07/04 | Forecast 2 Friday 05/14/04 | Forecast 3 Friday 05/21/04 | Forecast 4 Friday 05/28/04 | Forecast 5 Friday 06/04/04 | Forecast 6 Friday 06/11/04 | Forecast 7 Friday 06/18/04 | Forecast 8 Friday 06/25/04 | Forecast 9 Friday 07/02/04 | |
| Week Ending | | | | | | | | | | |
| Beginning Book Cash Balance | | | | | | | | | | |
| Receipts: | 3,115,837 | 3,815,837 | 3,223,943 | 3,923,943 | 3,223,943 | 3,923,943 | 3,037,874 | 3,737,874 | 3,037,874 | 31,041,069 |
| Disbursements: | | | | | | | | | | |
| Payroll | (2,551,834) | (3,284,306) | (2,416,870) | (2,716,382) | (2,494,374) | (2,916,999) | (2,369,388) | (2,643,588) | (2,418,795) | (23,812,516) |
| Rent | (100,000) | (10,000) | (10,000) | (10,000) | (784,012) | (289,839) | - | - | (399,839) | (1,603,690) |
| Other Disbursements (A/P) | (761,571) | (586,571) | (402,478) | (402,478) | (402,478) | (402,478) | (317,485) | (317,485) | (317,485) | (3,910,511) |
| Professional Fees, Trustee Fees and Other Misc. Fees | (836,642) | - | - | - | (1,200,756) | - | - | - | (941,198) | (2,978,596) |
| CMS | - | - | - | - | (4,060) | (79,402) | - | - | (83,462) | (166,924) |
| DIP Interest and Fees | (535,000) | (100,707) | (10,000) | (10,000) | (10,000) | (95,722) | (10,000) | (10,000) | (10,000) | (781,429) |
| Total Disbursements Excluding Insurance: | (4,785,048) | (3,981,584) | (2,839,349) | (3,138,840) | (4,895,660) | (3,784,440) | (2,898,873) | (2,971,073) | (4,170,780) | (33,263,666) |
| Insurance | (272,800) | - | - | - | (90,800) | (182,000) | - | - | (540,800) | (1,086,400) |
| Total Disbursements Including Insurance: | (5,057,848) | (3,981,584) | (2,839,349) | (3,138,840) | (4,986,460) | (3,966,440) | (2,898,873) | (2,971,073) | (4,711,580) | (34,350,066) |
| Net Cash Flow: | (1,942,011) | (165,747) | 384,595 | 785,104 | (1,762,536) | (42,496) | 341,000 | 766,800 | (1,673,706) | (3,308,997) |
| DIP Draws (Paydowns): | 1,942,011 | 165,747 | (384,595) | (785,104) | 1,762,536 | 42,496 | (341,000) | (766,800) | 1,673,706 | 3,308,997 |
| Ending Book Cash Balance | - | - | - | - | - | - | - | - | - | - |

EXHIBIT B2 to the First Amendment of the Post-Petition Revolving Credit and Security Agreement

**Intrepid U.S.A.
Weekly Cash Flow Forecast - 07/07/04 Version**

[illegible]

⁽¹⁾ Assumes Workers Compensation Renewal requires the same L/C as in 2003 (policy expires on 9/14/04).

(2) Subject to 7% variance.

⁽³⁾Subject to 9% variance.

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Chapter 11 Bankruptcy

Intrepid U.S.A., Inc.,
And Jointly Administered Cases,

Debtors

Case No. 04-40416-NCD
Case No. 04-40462-NCD
Case No. 04-40418-NCD
Case Nos. 04-41924 – 04-41988-NCD

**MEMORANDUM OF LAW IN SUPPORT OF MOTION TO APPROVE FIRST
AMENDMENT TO POST-PETITION REVOLVING CREDIT AND SECURITY AGREEMENT**

INTRODUCTION

The Intrepid U.S.A, Inc. and its affiliates referenced above (“**Debtors**”) seek an order authorizing them to enter into an amendment of the DIP Credit Agreement.

The factual support for this Memorandum is set forth in the verified Motion. Capitalized terms used herein have the meanings set forth in the Motion. As debtors-in-possession, the Debtors are authorized to operate their business under the Bankruptcy Code. See 11 U.S.C. § 1108. The debtor-in-possession may conduct the business and, so long as the affairs of the business are conducted by exercising business judgment, in good faith, upon a reasonable basis, the debtor-in-possession “may proceed without interference.” In re Consolidated Auto Recyclers, Inc., 123 B.R. 130, 140 (Bankr. D. Me. 1991). As part of that operation, the Debtors may obtain financing secured by a lien senior to all other interests as set forth in 11 U.S.C. § 364(d). In approving the DIP Credit Agreement and entering the DIP Order, the Court determined that the Debtors met the requirements for such financing. The First Amendment, while resolving certain disputes between the Lender and the Debtor and revising the credit facility to give the Debtor greater flexibility, does not materially affect the rights of any third

parties. In the exercise of the Debtors' business judgment, the agreements made in the First Amendment are in the best interests of the Estate and should be approved.

CONCLUSION

For all the foregoing reasons, Debtors respectfully request that the Court enter an order authorizing the Debtors to enter into the Amendment of the DIP Credit Agreement.

Dated: July 30, 2004

_____/s/ Heather B. Thayer
James Baillie (#3980)
Clinton Cutler (#158094)
Heather Thayer (#222549)
Ryan Murphy (#311972)
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Attorneys for Debtors

#2991859/2

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

Intrepid U.S.A., Inc.,
and Jointly Administered Cases,

Debtor

Chapter 11 Bankruptcy

Case No. 04-40416-NCD

Case No. 04-40462-NCD

Case No. 04-40418-NCD

Case Nos. 04-41924 - 04-41988

CERTIFICATE OF SERVICE

Heather B. Thayer, under penalty of perjury, states that on August 4, 2004 she caused to be served the following:

1. Notice of Hearing and Motion to Approve First Amendment to Post-Petition Revolving Credit and Security Agreement;
2. Memorandum of Law in Support of Motion to Approve First Amendment to Post-Petition Revolving Credit and Security Agreement;
3. Order Approving First Amendment to Post-Petition Revolving Credit and Security Agreement;
4. Notice of Hearing and Motion for Order Approving Settlement Agreement between F.C. Acquisition Corporation, TBJG, LLC and Medshares Inc. a/k/a Meridian Corporation;
5. Memorandum in Support of Motion for Order Approving Settlement Agreement between F.C. Acquisition Corporation, TBJG, LLC and Medshares Inc. a/k/a Meridian Corporation;
6. Order Approving Settlement Agreement between F.C. Acquisition Corporation, TBJG, LLC and Medshares Inc. a/k/a Meridian Corporation; and
7. Certificate of Service.

by sending true and correct copies via United States Mail to all parties on the attached service list.

Dated: August 4, 2004

/e/Heather B. Thayer
Heather B. Thayer

#2998389

Service List: Intrepid II

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Hunton & Williams
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U.S. Trustee's Office
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Roylene A. Champeaux
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300 South Fourth Street
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MN Department of Revenue
Collection Enforcement
551 Bankruptcy Section
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St. Paul, MN 55164

Internal Revenue Service
Special Procedures Branch
Stop 5700
316 North Robert Street
St. Paul, MN 55101

Blaine Holliday
IRS Office of Chief Counsel
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Bankruptcy Section
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Lang-Nelson Associates
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Minneapolis, MN 55402

Additional names for Intrepid II list

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Garamella Family Ltd. Ptnsp
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Hopkins MN 55343

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MVR Home Healthcare, Inc.
c/o Matthew R. Burton
Leonard O'Brien et al.
100 South Fifth Street
Suite 2500
Minneapolis MN 55402-1216

Bank One
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Alexandria LA 71301

Mpls Comm Dev Agency
105 – 5th Ave S
Minneapolis MN 55401

Affordable Housing Project
c/o Fed Home Loan Bank
907 Walnut St
Des Moines IA 50309

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Bizrocket.com, Inc.
c/o Jeremy D. Friedman
Downs & Associates
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Healthcare Assoc. of Walterboro
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Nashville, TN 37202-0207

UNITED STATES BANKRUPTCY COURT
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Debtors

Case Nos. 04-41924 – 04-41988-NCD

**ORDER APPROVING FIRST AMENDMENT TO POST-PETITION
REVOLVING CREDIT AND SECURITY AGREEMENT**

The Debtors' Motion for entry of an order approving the First Amendment to the Post-Petition Revolving Credit and Security Agreement (the "First Amendment") came on for hearing before the undersigned on August 18, 2004. Appearances, if any, are noted on record.

Based upon the arguments of counsel, all the files, records and proceedings herein, the Court being fully advised in the premises, and the Court's Findings of Facts and Conclusions of Law, if any, having been stated orally and recorded in open court following the close of evidence:

IT IS HEREBY ORDERED:

Debtor's Motion for an Order Approving the First Amendment is granted and the First Amendment is approved.

Dated: _____, 2004

United States Bankruptcy Court Judge